GOMB

KEY BUDGET DRIVER FRAMEWORK

Maintaining Utah's competitive edge and quality of life requires that we proactively manage and address the multiple demands being placed on limited resources—the taxpayer dollar. Utah's growing and changing population along with new dynamics in our revenue streams places an increased demand on everything from infrastructure to education and the state's natural resources to our correctional system. Reacting to new demands and changes within the economy without a proactive approach to budget design and strategy could potentially leave Utah vulnerable to a diminished future prosperity.

For Utah, there are six key elements that drive approximately 80 percent of expenditures: Corrections, Employee Compensation and Liabilities, Higher Education, Infrastructure (transportation, buildings, and debt), Medicaid, and Public Education. The ability to develop sound planning strategies and to resolve the challenges within these key areas is fundamental to a thriving economy. These planning strategies, or what we in GOMB refer to as ***key budget drivers****, have been developed in consultation with subject-matter experts and key stakeholders.*

MEDICAID

Objective

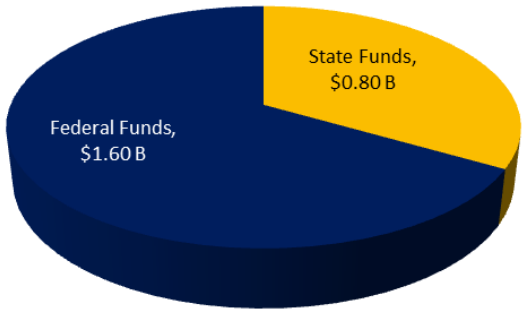
To provide healthcare coverage to Medicaid beneficiaries at a long-run sustainable cost and in a fashion that maintains or improves benchmarks for quality of care.

Background

Medicaid is a joint state and federal program that funds health care services for an estimated 321,000 low-income Utahns in FY 2016. Medicaid is an entitlement program, meaning that the program guarantees the authorized services to everyone that meets eligibility requirements. Eligible recipients receive services from private providers, who are paid with Medicaid program funds. Service costs for currently eligible Medicaid beneficiaries are typically shared between federal and state funding sources at a 70/30 split. This federal participation is in contrast to, and independent of, the 100% federal cost sharing for newly eligible individuals under the Governor's Healthy Utah plan in FY 2016.

Medicaid income eligibility requirements vary, with qualified income thresholds reaching up to 133% of the federal poverty level for some core service groups. The federal poverty level, which varies by household size, is about $24,000 for a family of four. In general, adults without dependent children do not qualify for Medicaid on the sole basis of low income and asset status. However, considerable overlap exists between Medicaid eligibility criteria and eligibility requirements for other public benefit programs.

Figure 1 – FY 2016 Medicaid Funding



From FY 2003 to FY 2013, Medicaid General Fund spending grew from $276 million to $502 million, which represents an increase in the Medicaid share of General Fund from 15% to 25%. In FY 2015 and 2016, Medicaid spending as a percent of all General Fund is expected to decline to less than 23%, as General Fund growth outpaces anticipated growth in Medicaid expenditures.

Numerous factors influence the level of Medicaid expenditures, including population growth, program changes, and, in particular, economic conditions. Medicaid enrollment tends to be counter-cyclical, meaning enrollment increases when economic conditions deteriorate. An improving economy is expected to put downward pressure on Medicaid enrollment growth.

Figure 2 – General Fund for Medicaid

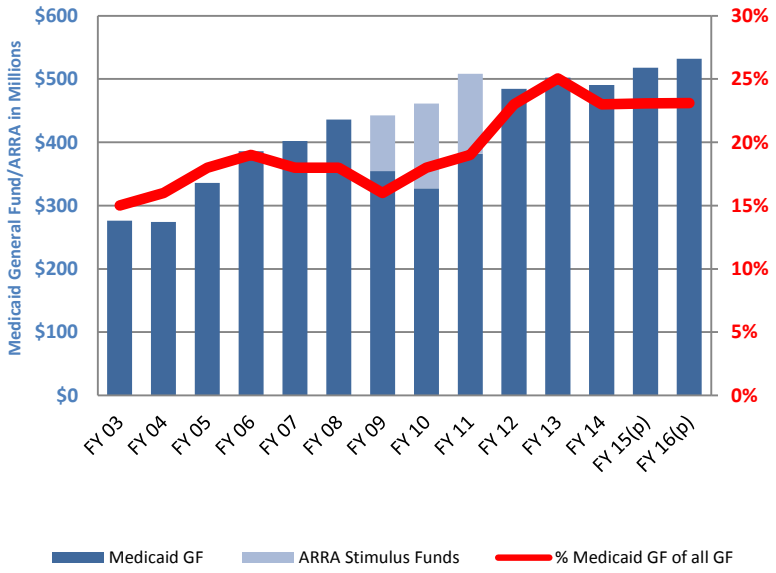
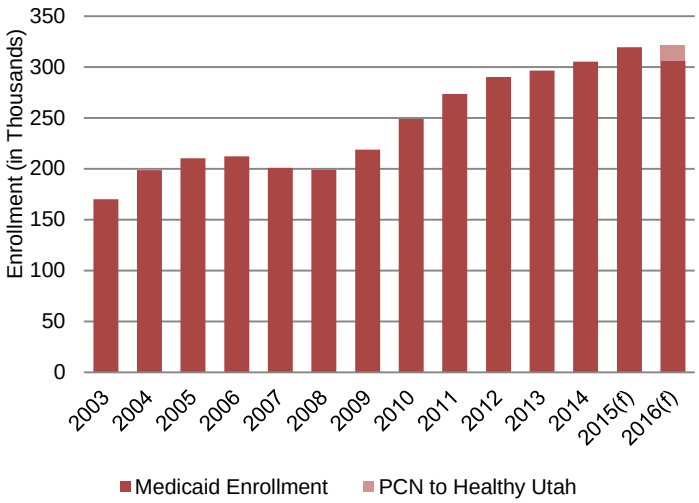


Figure 3 – Number of Medicaid Enrollees



In FY 2015, average Medicaid enrollment (including Qualified Medical Benefits and the Primary Care Network) is expected to reach 319,000 individuals. This represents a year-over growth rate of 4.7%. However, nearly all of this increase in enrollment can be attributed to children transitioning from the Children's Health Insurance Program (CHIP) to traditional Medicaid coverage. Under the Affordable Care Act, children under 133% of the federal poverty level are eligible for traditional Medicaid benefits, thus an estimated 13,200 children who were previously covered under CHIP are expected to receive Medicaid benefits in FY 2015. In FY 2016, base enrollment is anticipated to grow by less than 1%, which is more characteristic of typical Medicaid enrollment behavior during an economic climate like that of which Utah is currently experiencing. Furthermore, approximately 15,000 Primary Care Network beneficiaries are projected to become eligible for Healthy Utah benefits in FY 2016.

Budget Recommendation

The Governor recommends a $12.9 million negative supplemental for Medicaid in FY 2015 ($15.4 million when including surplus funds in the Children's Health Insurance Program) and $10.1 million in new funding to support increases in reimbursement rates for nursing homes, the restoration of dental coverage for the elderly and people with disabilities and to provide ACA tax offsets for Accountable Care Organizations, among other items. The Governor also recommends that activities and costs as identified and forecasted by the Medicaid Consensus workgroup be carried out and covered in FY 2016 (i.e. a 2% increase to Accountable Care Organizations, transition program caseload, forced provider inflation, general caseload growth, etc.), but corresponding funding will be provided as necessary in the form of a supplemental that year because the Medicaid Mandatory and Optional line items have been running surpluses for several consecutive years.

Recent practice has been to take negative supplementals from Medicaid as they materialize from the previous year's closing balance or the current year's cost projection. This year, the Governor recommends addressing potential Medicaid surpluses prospectively by delaying new funding recommendations for Medicaid Consensus items until those funding needs become apparent in FY 2016. Under Healthy Utah, the Governor recommends that the Primary Care Network program be dissolved and that the corresponding $4.5 million in funding be repurposed for related Healthy Utah service and administration costs. Finally, it is recommended that the state Medicaid agency be allowed to access Medicaid stabilization account funds as necessary in the event that costs exceed Medicaid Consensus workgroup projections.